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Unemployment: industry seeks a solution

Washington

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(Continued on next card)

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CONTENTS—Continued.

William Green.—VIII. Guaranteed employment, by W. C. Proctor.—IX. Spreading work to avoid lay-offs, by M. C. Taylor.—X. The railroads and unemployment, by L. A. Downs.

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U. S. DEPARTMENT OF COMMERCE

WASHINGTON

UNEMPLOYMENT

Industry Seeks a Solution

◆

A Series of Radio Addresses

given under the auspices of the

PRESIDENT'S EMERGENCY COMMITTEE FOR EMPLOYMENT

308
Z
Box 334

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1931

THE PRESIDENT'S EMERGENCY COMMITTEE FOR EMPLOYMENT

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CONTENTS

	Page
Foreword	IV
I. Safeguards for employee security Mr. Gerard Swope, president of the General Electric Co.	1
II. Loans to laid-off employees Mr. Cyrus McCormick, vice president of the International Harvester Co.	6
III. Reserves against unemployment Mr. Henry S. Dennison, president of the Dennison Manufacturing Co.	11
IV. Employment stability and industrial partnership Mr. Walter C. Teagle, president of the Standard Oil Co. (New Jersey).	14
V. Unemployment benefits Mr. Morris Leeds, president of the Leeds & Northrup Co.	16
VI. The elimination of seasonal unemployment Mr. William G. Stuber, president of the Eastman Kodak Co.	19
VII. Labor's part in the alleviation of unemployment Mr. William Green, president of the American Federation of Labor.	23
VIII. Guaranteed employment Col. William Cooper Procter, chairman of the board of the Procter & Gamble Co.	25
IX. Spreading work to avoid lay-offs Mr. Myron C. Taylor, chairman of the finance committee of the United States Steel Corporation.	28
X. The railroads and unemployment Mr. Lawrence A. Downs, president of the Illinois Central System.	30

FOREWORD

With the purpose of placing the experience and judgment of outstanding industrial executives before those concerned with the problems of unemployment, the President's Emergency Committee for Employment arranged the series of radio addresses here compiled. The addresses were given as nation-wide broadcasts during December and January. The speakers participating in the series were invited to explain the program and experience of their organizations in stabilizing employment and alleviating the evils of unemployment, and in the abridgment of the radio addresses for publication, emphasis has been placed upon the various features of company policy as explained by the speaker.

The committee is grateful for the assistance afforded both by the speakers and by the Columbia Broadcasting Co. and the National Broadcasting Co. in the arrangements for the series.

ARTHUR WOODS, *Chairman,*
President's Emergency Committee for Employment.

UNEMPLOYMENT

INDUSTRY SEEKS A SOLUTION

I. SAFEGUARDS FOR EMPLOYEE SECURITY

By Mr. GERARD SWOPE, *president of the General Electric Co.* (*Dec. 16, 1930*)

Compiler's note.—The General Electric Co. during the past 12 years has been developing a balanced program for employee security. This program includes provisions for life insurance, home ownership, savings investment, old-age pensions, and finally unemployment benefits, loans, and relief. The last feature is closely coupled with a determined effort to stabilize employment.

For many years the General Electric Co. has been making constant endeavors, each one a step in a comprehensive program, for removing fear of the future from the mind of the worker in the shops; that is, his constant fear of not being able to provide for and take care of his responsibilities, first to his parents or, if he has taken on further responsibilities, to his wife and children.

The first item to give peace and security of mind is provision for the uncertainty of life. In 1919 free group life insurance was offered by the company, to which later was added a participation by the employees, so that the life insurance of each employee has been increased. This has been very well received by all the employees, and all new employees coming into the organization, after five years of service, come under its provisions. The maximum life insurance offered free by the company is $1,500 and the additional insurance, paid for by the employee varies, depending upon his age, service, and salary, but usually is in the same amount or larger than the free insurance offered by the company. This has worked out quite satisfactorily, and since the inauguration of the plan $6,500,000 has been paid to the families of deceased employees. The organization of the General Electric Co. is now so large that there are deaths in its "family" each day, and each month a roster of those departed is published, where it is seen that the reaper has taken young people as well as old. In the present year, the total life insurance that will have been paid to the families of deceased employees will amount to approximately $1,000,000, of which $400,000 will be through the free insurance offered by the company and $600,000 through the insurance paid for by the employees. Of course this latter amount would not have been received by the families if this additional insurance plan had not been adopted by the employees Life insurance in this way does much to ameliorate the tragic circumstances of death and relieves somewhat the hardship of the departure of the family breadwinner, either in whole or in part.

The second matter of importance in assuring peace of mind, not only of the employee but even more frequently of the wife, is the ownership of the home. While the General Electric Co. has never been in the position of landlord, it does assist the employees in acquiring or building homes. In the last seven years 2,500 homes, worth $19,000,000, have been acquired or built by the employees, with a payment on their part of upwards of $6,000,000, the balance being held in the form of first and second mortgages by regular financial institutions, the company making provisions so the employees can borrow this money on a favorable basis. To date there has been no loss in connection with this work, either to the banks or the company.

The third is a plan to enable the worker to put something aside for the inevitable "rainy day." The General Electric Co., like many companies, started with the plan of having the employees subscribe to its common stock. But its common stock, of course, is subject to the fluctuations of all stocks and soon after the subscription was offered the market price went down. Many of the employees were frightened and canceled their subscriptions. Later on the price went up and many thousands of employees saw the opportunity to make a profit and sold their stock, so it was not effective in promoting saving by the employees or having the employees become financially interested in the company in which they were spending their lives. Therefore, a new company was organized, known as the G. E. Employees Securities Corporation, where the General Electric Co. takes the stock risk and the employees subscribe for its bonds. These bonds are not subject to the fluctuations of the market but are redeemable at cost at any time the employee so desires. While these bonds are held by the employee and he is in the active service of the company, he receives a return of 8 per cent. The employees elect directors who represent them on the board and are familiar with the transactions taking place, and each year a report of its operations is published. This G. E. Employees Securities Corporation is the largest single holder of General Electric common stock and its other funds are diversified in investments in public utility companies throughout the United States. These companies at the same time are customers of the General Electric Co., so the employees are financially interested not only in the company for which they work but also its customers. These investments have been so diversified that the market value even to-day exceeds the cost, and the income return has always been ample to pay the return on the bonds and stock that have been issued. Upwards of 36,000 employees now hold bonds, with a total value of $41,000,000.

The fourth item to give security and peace of mind is provision for old age. Of course, if each employee made provision along the line of the above, for death, a home and savings, old-age provision, theoretically, might not be necessary, but experience has proved that it is. The General Electric Co. in 1912 adopted a pension plan which gave a pension to every employee, and this has since been supplemented by what we call an additional pension plan, whereby the employee contributes 1½ per cent of his earnings. This will have the effect of increasing his pension on retirement by approximately 50 per cent, so that in some cases the employee may retire on a pension of three-quarters of the income he

has received while in the active service of the company, one-third of this pension being provided by the additional pension which he has paid for and the balance by the pension provisions of the company. These pensions are paid from a trust fund now amounting to upwards of $12,000,000 which has been set aside quite separately and apart from the company's operations. In the two years since the establishment of the additional pension plan, the employees have set aside $2,500,000. The amount the employee has put aside in the additional pension plan is always his; if he leaves the company, he receives this money plus interest; if he dies, his beneficiary receives it; and if he lives to old age, he enjoys it. Since the inauguration of the plan, the pensions paid to retiring employees have amounted to almost $4,000,000, and there are approximately 1,000 on the pension rolls of the company at the present time.

The fifth and probably the most important, from the standpoint of the worker, is the recurrent dread and fear of unemployment. For years the General Electric Co. has been developing methods of stabilizing employment for its workers. This varies, of course, with the product. It is easiest in a standardized line, which does not become obsolescent and does not deteriorate. One such article is the incandescent lamp, where for many years we have been able to avoid unemployment because of seasonal fluctuations by making lamps in the summer time, when fewer lamps are used, storing them and distributing them to our customers in the fall and winter months, when the days are shorter.

The other end of the line, and of course very much more difficult, is our engineering products, such as large turbines, where due to the progress of the art or the demands of the customers, no two turbines ordered at different times of the larger sizes are alike and very little can be done on these engineering products in the way of stabilization of employment. Notwithstanding, on the smaller engineering products, in slack times we do make parts that are used generally and interchangeably and place them in stock. The plan has been worked out throughout the company to further as far as possible this policy of stabilization of employment. Every effort is being made to carry out this plan effectively. The plan lays down certain principles which the management of each works does its best to follow, first when business is increasing and secondly when work begins to fall off.

But no one company is able to grapple effectively with this problem of cyclical variations in business, so the best that can be done is to have a plan which will ameliorate the hardships when they do arise. Five years ago a plan of unemployment pensions, loans, and relief was offered, but at that time the employees considered unemployment remote and it was not accepted. This year it was again proposed and received immediate acceptance.

Fundamental in this new plan for unemployment relief are the following principles:

1. Joint and equal contributions by employees and the company.
2. Joint participation in the administration of the plan.
3. Aid through group action to those workers who are in need or require temporary loans, or who become unemployed, or for whom only part-time work is available.

4. In times of unemployment emergency, cooperation and assistance from those employees of the company not usually affected by unemployment, and assistance by the company in equal amount.

The plan has been adopted by each works as a unit, with a vote of the employees in some cases as high as 100 per cent and an average of all the works of 79 per cent. There are now 35,000 members of the plan and in the few months since its adoption $350,000 has been paid into this unemployment pension fund, one-half by the members and one-half by the company. During normal times the employee member pays 1 per cent of his earnings into the fund and the company contributes an equal amount. A committee of administrators is formed at each works, one-half elected by the members and one-half representing the management.

When a member is laid off because of lack of work, after two weeks, by application to the administrators, his case is considered and he is given work or an unemployment pension up to 50 per cent of his normal earnings, but not in excess of $20 per week and for a time not longer than 10 weeks in any 12-month period. When the outgo from the fund is approximately equal to the normal income, an unemployment emergency is declared. Normal contributions then cease and all employees of the company, whether members or not, in all departments, including the commercial and administrative organizations, in remote places, contribute 1 per cent of their earnings, the company contributing an equal amount.

This plan is not final in form or in substance and may be modified by joint action of the employees and the company. It is an interesting experiment in which the company is glad to join its employees, first, in endeavoring to find a solution, and, second, in ameliorating the tragic effects of unemployment on particular employees, who are in no sense responsible for their unemployment.

Under the original provisions of this plan, as announced last June, no employee was eligible for unemployment benefits under it unless he had made payments of 1 per cent of wages into the fund for a period of six months. This limitation would have delayed initial payments in the earliest instance until next February. In the light of the emergency now existing the payment of benefits and the extension of loans to unemployed workers were commenced December 1, and the company is sincerely gratified that it has found this step possible as a means of alleviating the condition of those for whom no work is available. Benefit payments now consist of 50 per cent of the wages of those entirely unemployed or a smaller amount sufficient to afford 50 per cent of normal wages to those on less than half-time employment. Loans are being made in those urgent cases where the administrators feel that the real distress otherwise arising must be obviated.

The comments in regard to this unemployment emergency plan from the organization have been very gratifying indeed, not only from the workmen in the shops, even including those who are not members of the plan, who are glad to help their brother employees not so fortunate as to have work, but also from people in the commercial offices, removed thousands of miles from the factories, the main comments we have had being "Why was the percentage made so low as 1 per cent?" and "Why have we not begun this earlier?" These

are evidences of how closely the organization is knit together, the plan, therefore, tending to improve the unity and spirit of the organization.

The company also announced last week a further plan for the year 1931 of guaranteeing 50 weeks work of not less than 30 hours each week in the incandescent lamp department, which I referred to earlier in my talk, where we are dealing with a standardized product not subject to obsolescence and deterioration. This plan is entirely voluntary and will not be adopted unless 60 per cent or more of the employees in the works are interested and agree to have a further "anchor to windward" setting aside 1 per cent of earnings. The company guarantees 5 per cent interest and the money so saved always belongs to the employee. He takes it with him if he leaves. If he dies, the accumulation is given to his beneficiary and if he remains with the company until he retires on pension, it is added to his retirement allowance. This plan goes into effect January 1, 1931, if the employees desire it. It will be interesting to see what reaction this receives.

These are definite, specific things that the company has done, first along the line of providing for greater peace and security of mind, second to stabilize employment, and third to ameliorate the tragic effects of unemployment.

We are now in a situation where things must be done on a broader scale than this. The efforts of a constructive character that are being made to relieve distress and to avoid and ameliorate these conditions in the future are having and should have very general support.

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II. LOANS TO LAID-OFF EMPLOYEES

By Mr. Cyrus McCormick, *vice president of the International Harvester Co.*
(December 20, 1930)

Compiler's note.—With the evolution of large-scale industry, many workers have come to be increasingly dependent upon a single company for lifelong employment. Many employing companies have responded to this situation by the creation of various means of protecting during periods of decreased operation the workers whose cooperation they require in production in normal times. Finding it necessary to lay off some of its regular employees during the present depression, the International Harvester Co. inaugurated the plan of loans to these employees to tide them over the period of reduced income. The confidential and direct procedure used in meeting the workers' needs have been effective in alleviating instances of distress which employee pride and self-reliance have concealed.

At first, before the depression became so severe, the International Harvester Co. did what it could to curtail production with as little harm to the men as possible. We reduced forces by ceasing to hire new men, we let the unstable ones drift away, and we distributed the work among the men who could do it best and needed it most. Then we reduced the hours of the working week, for our men told us they would prefer less individual income if we could find ways to keep as many people as possible on the pay roll. Lately, however, we have struck what we believe is the bottom of the depression, with the result that our factories are now working on reduced time and with reduced forces.

In planning our own campaign to tide over the unemployment situation, the International Harvester Co. has recognized the necessity of finding a temporary substitute for work and wages. Thousands of our fine men have no jobs, no income. It is not their fault nor is it the company's fault. But International Harvester feels that it has a duty to help its own men to provide their own salvation.

Throughout Chicago and the other cities where we manufacture, we have sent representatives to call upon our men who have lost their jobs. The message these representatives bring is this: Whenever a regular Harvester man is in need of help because he is out of work or because his earnings have been severely reduced by part-time operations, we lend him the money to carry him through. The amount of the loan varies with the needs of the different individuals but it is at least sufficient to provide the necessities of life, sufficient to relieve the hard-pressed organized charities of caring for him and his. It will be enough to keep regular Harvester men out of bread lines.

We believe that lending money to workmen is better than giving it. I have been told by many employee representatives in our works councils that our men are proud that we have not offered them charity. A loan is a business proposition. When it is accepted, the

recipient expects to pay it back. He feels that he is still standing on his own feet. He understands that the loan is considered an advance against future wages. He maintains his self-respect.

Best of all, Harvester men feel that our plan is proof of our confidence in the future. They are out of work, possibly they are in want. Just then a foreman or a fellow worker comes to their homes to tell them that some day times will be better and that they will then have their jobs back. In the meantime they can rely on loans from us. We can safely make this promise because he has been with us long enough to become a real Harvester man. He knows that we want him to earn good wages; he appreciates the benefits to him of pensions, works councils, stock subscription, and other progressive labor policies. He knows that all Harvester Co. executives have won their way up through the ranks and that he, too, will, if he merits it, have a chance to rise. He does not want charity from the company. He wants wages, even if they are paid in advance of the work he would like to be doing.

These loans are paid by weekly check, exactly like wages. They are without interest. We urge every borrower to find himself a job elsewhere if he can, so that he will have less money to repay when he comes back to work. When he does get his own job back with us, or finds employment in some other shop and is again earning reasonable wages, he repays the money. In the meantime he is able to provide food and fuel and shelter for his family with money he can rightly call his own.

We are confident that our losses, through failure to repay these loans, will be small. We know our men. They regard the money they have borrowed from us as a debt of honor, and they will pay it back.

It must indeed be hard for self-respecting Americans who want to work to accept charity. It must be encouraging to a man who has lost his job through no fault of his own to learn that he has not been forgotten and that he can have his job back again as soon as business picks up. That is the message that the International Harvester Co. has sent to unemployed Harvester men. It wants them to go on holding their heads high, feeling that they have a place in the economic sun.

Within the past five weeks every regular Harvester man who is out of work has been visited. Many of them have savings or investments on which they can rely. In certain cases the available work has been rotated so that the effect of unemployment will bear less heavily on any individual. Furthermore, we have found that in many cases we have been able to give helpful advice on recasting the family budget so that the need for a loan is lessened or postponed. Employees in danger of losing the equity in their homes are given advice and assistance in securing extension of time on mortgage payments. Wherever there is emergency need of medical or surgical aid, it is supplied free of cost by our medical and nursing staff.

The Harvester loan plan is already proving its value as a means of relieving want and distress, but this is only a part of its value. The real worth of the plan is in its spirit and in the way it tends to restore the confidence of the worker. It encourages him and tells him of the company's interest in him and of its appreciation of him

and his work. Thus it renews his faith in the future of his occupation and of his country. He realizes that his situation in life will ultimately be restored because his job will be waiting for him when business comes back, as it surely will. He knows that he is a self-respecting member of society.

DETAILS OF HARVESTER LOAN PLAN

The Harvester loan plan was approved by the directors, October 30, 1930, and was immediately put into effect. Its purpose is to meet the unemployment situation among Harvester people by weekly loans without interest, sufficient to provide for current necessities. The amount of the loan depends upon the size of the family and other factors. Obviously the smaller the amount that can be made to suffice, the lighter will be the eventual burden on the borrower and on the company.

There are other definite benefits under the plan, such as free legal advice, emergency medical and surgical aid without cost, counsel and assistance in budgeting expenses, friendly contacts of foremen and other organization men with the man who is out of work. These are often as important as the loans. Most important of all is the fact that these loans are not in any sense charity, but are a business arrangement under which the company advances money to the employee against wages to be earned in the future. This gives encouragement and assurance that a job awaits him when business conditions improve.

Underlying all these provisions is the company's desire that this plan shall be interpreted and administered so as to preserve the spirit of independence and self-reliance in any employee who participates in it. The company has confidence in the future in spite of the present depression and wishes to do what it can to give immediate assistance to its men who are out of work.

ELIGIBILITY

(*a*) Harvester men temporarily laid off, who have been in the service of the company for . . . and whom it is intended to rehire when business conditions permit. (NOTE.—For information of other companies considering loan plans, it is suggested that the eligibility period is a different problem for each company, dependent upon the number of employees expected to be rehired within a reasonable time, and the extent to which the company feels able to extend its loan plan.)

(*b*) Those working part time equivalent to less than 36 hours per week, may also receive supplementary assistance.

(*c*) Home conditions, current financial difficulties, the possibility of other family assistance, etc., must be taken into consideration in determining whether or not a loan is justified. Available cash savings must be used before a loan is made.

PURPOSE OF LOANS

Loans will be made only to defray expenses for such current necessities as food, rent, fuel, light, and gas, and not for payment of old debts nor installment payments on goods purchased.

ORGANIZATION

(*a*) There will be established at each plant a works loan committee, consisting of the superintendent or vice chairman of the works council as chairman, the employment manager or works council secretary as secretary, the plant nurse and two additional members appointed by the committee chairman from the elected representatives of the works council.

(*b*) The works loan committee will be charged with the responsibility of selecting, instructing, and supervising such visiting committees of two members each as may be necessary to visit those eligible for loans.

(*c*) Included in the membership of these visiting committees are the department foremen and works council members, who in the majority of cases visit those employees who are employed normally in their departments. It is vital that a high degree of judgment and tact be exercised by the visiting committees which investigate all cases.

DUTIES OF VISITING COMMITTEES

(*a*) As soon as possible the visiting committees will begin by calling on men who have the longest period of lay-off or whose situation is known to be most serious.

The first visit will be confined to a friendly call, at which time the visitors will exercise their best judgment to determine whether or not the case comes within the intent of the plan and justifies further consideration.

The visiting committee should take the opportunity of stressing the fact that while at the present time there is a depression in business and much unemployment, the man's record with the company is satisfactory and he will be reemployed when business conditions permit. In this way the visiting committee will help implant confidence for the future in the minds of Harvester men.

(*b*) If the visiting committee's report of its first visit (Form No. 367) shows the family to be in need and eligible for loans, a second visit should promptly be made by the nurse or employment manager or other person designated by the works loan committee, in company with a member of the visiting committee which made the first visit. Upon the persons making this second visit rests the responsibility of submitting to the works loan committee a detailed report and specific recommendation on a form (Form No. 366) provided for that purpose. If the persons making the second visit recommend a loan and it is approved by the works loan committee and the superintendent, the recommendation must be sent in duplicate to the industrial relations department, Chicago, for final approval by that department as well as by the treasury department.

As a part of their investigation, the persons making the second visit should determine whether the individual is in danger of losing the equity in his home through inability to make payments due on contracts or mortgages. If so, the matter should be reported to the works loan committee who will do what they can toward obtaining an extension.

(*c*) If the weekly loans continue for a period of four weeks, the visiting committee will again visit his home and submit to the works loan committee their report and recommendation (Form No. 365) provided for that purpose. If the committee's recommendation is approved, it must again be sent in duplicate to the Chicago office for final approval before further checks are issued. The same procedure must be strictly adhered to following any subsequent four weeks during which loans are made.

NUMBER OF WEEKLY LOANS

It is not intended that the weekly loans will be continued indefinitely. They may be stopped at any time in the discretion of the company. No assurance should be given that loans to any one person will be continued for longer than four weeks. If further assistance is needed after any 4-week period, the case must be reconsidered.

AMOUNT OF LOAN

The amount of money to be loaned weekly will be based on a minimum subsistence budget. The industrial relations department will provide information to assist in determining the proper amount of the weekly loan.

LOANING PROCEDURE

(*a*) At the time of receiving his first check, the employee will sign a statement (Form No. 368) agreeing to repay after reemployment the money borrowed from the company. A copy of this statement should be given to him.

(*b*) No interest will be charged on money loaned under this plan.

(*c*) If the borrower has Harvester stock or other securities, he must deposit a sufficient amount with the cashier to cover his loans.

(*d*) Loans will be made weekly. The checks to be used, the manner of writing them, and other details will be covered in a separate letter of instructions to the works auditor.

(*e*) Each man will be assigned a definite day of the week for calling for his check.

(*f*) Following final approval of the loan, he will be notified to call for the first check. Subsequently he must call each time at the office of the secretary of the works loan committee for identification, which will enable him to get checks from the cashier.

REPAYMENT OF LOANS

When the man is reemployed on a basis of five days or more per week, deduction of not less than 5 per cent will be made from each pay check to apply on repayment of the loan. If other employment is obtained, he must pay each week the equivalent of not less than 5 per cent of his wages to apply on repayment of the loan. If he can begin to repay before his employment is restored to five days a week, or if he can exceed the amount of 5 per cent of his wages, it will obviously be to his advantage and he should be urged to do so.

ACCOUNTING

The works will forward to the industrial relations department a weekly statement in duplicate, giving a recapitulation of the number of cases and the amount of money loaned during the current week, as well as the accumulated figures.

MEDICAL

The visits may disclose that some member of the family needs medical assistance or advice. Such cases are to be reported to the plant physician or nurse, and arrangements will be made to extend emergency assistance through our medical department.

III. RESERVES AGAINST UNEMPLOYMENT

By Mr. Henry S. Dennison, *president of the Dennison Manufacturing Co.*
(*December 26, 1930*)

Compiler's note.—The possibility of a parallel between reserves against reduced dividends and reserves against reduced employee earnings is no better indicated than by the relatively long experience of the Dennison Manufacturing Co., of Framingham, Mass., in the maintenance of both types of reserves. It is significant that the establishment of the newer type of reserves seems to stimulate management to stabilize operations and employment, to the advanage of both the stockholders and the workers.

Since its beginning in 1844 our company has passed through, and survived, many depressions, mild and severe, but until the depression of 1908 we had thought of them much as epidemics had been thought of before the birth of modern medicine—as unfortunate visitations which we could not account for and devoutly hoped would never happen again. Then we began to realize that if it should turn out that such periods were recurring epidemics in the business system for which we might undertake some measures of preparation, even if we could not accurately foresee just when we were going to catch them, our passive attitude was really inexcusable. The burdens of unemployment had borne too heavily upon both the company and its employees to be put up with complacently, and anything, however little, which might be done was better than doing nothing.

Progress was slow, but in the first years something was accomplished toward smoothing out the worst of the extremes of overtime and part time which came each year at different seasons. But in 1915, after the severe unemployment of 1914, we took a step which has ever since given us a permanent and pointed interest in the problem. We figured that if it was good business sense to make some reservations out of profits in good years so that dividends might not fall so severely in bad years, then it was equally good sense to set up similar reserves from which, during times of unemployment or partial employment, some part of the losses to wage earners could be lessened. So we made a reserve out of the profits of 1915 which was added to in the succeeding years, and placed it in the control of trustees for such use. The exact rules for its distribution were to be drawn up and amended from time to time as experience should dictate, by a joint committee of two from the management and two representatives of the employees.

Since 1921 the fund has been drawn upon to make up the pay of our permanent force of wage earners whenever they had to be laid off for lack of work, those with dependents getting approximately 80 per cent of normal rates, and those without dependents approximately 60 per cent of normal. We could not guarantee such payments for all time because we had no sufficient records of experience to tell us what such a guarantee would involve, but pay-

ments were to continue as long as the fund lasted, and have continued, as a matter of fact, without any interruption to date.

The effects of this scheme have been very striking. Undoubtedly it has afforded welcome relief to individuals and probably has held the purchasing power in our community up somewhat higher than it would otherwise have been; and we are assured that it has added a good deal to that feeling of security and confidence without which employees suffer in spirit and in their working abilities as well. But even more valuable have been its effects in stiffening and refreshing the determination of every one who is connected with the management, from salesmen and department heads to general manager, by careful planning and all possible foresight to make payments from the fund as little necessary as they can.

These effects are really interesting since the fund is quite out of our control and no one in the management can gain anything directly in a financial way by saving it. They are closely parallel to the effects of the fire insurance premiums of more recent years in waking us up to the desirability of fire prevention, and of accident compensation premiums in making us active in preventing accidents. In all these three cases alike we should really have enough to gain by preventive measures to warrant strenuous thinking even if there were no penalties in hard cash. But, unquestionably, in each of these, efforts at prevention are given energy and focus by the impressive reality of such penalties. This is what makes us so strong in the belief that an unemployment fund, however much it may help the wage earners, is likely to be of even greater value to the company itself. For in every slack period, whether it is an off season or an off year, the losses to the company in fixed overhead costs are often as great, and in heavy industries are sometimes greater than the payroll losses to employees.

Our unemployment fund did not originally plan to cover any payments to those who might be laid off permanently—for whom, for one reason or another, no permanent place could be found in our organization. It applied primarily to the trained staff. But gradually, as it was being used, logic forced us to consider some cushioning payment to those whom we had to lay off for keeps—a separation allowance, as it is now coming to be called. Our experience with this form of unemployment relief is short, but over the last 12 months we have been feeling our way and have paid considerable amounts for this purpose. Its influence will undoubtedly add to the good influences of the older scheme, and will especially tend to make us even more careful when planning expansions, temporary or permanent, that we do not fall into the error of unwise overexpansion, which is surely one strongly contributory cause of the alternating periods of prosperity and depression.

I am certain that the reserving of funds out of profits or surplus for unemployment relief is of definite value in several ways for individual concerns. Is it not equally certain that if widely done it would be good for the whole business structure as well? For through the violent swings from 'way up to 'way down, business as a whole loses much more than it gains; and the reservation of funds during times of high activity for expenditure during low times strikes at the very roots of the evil. It both checks undue expansion and

fills in the deeper depths of depression. It can also be thought of as a gyroscope which, until we can learn to control the business weather, can at least be depended upon to keep the boat from rocking too heavily in the worst storms.

These are direct effects. And when there is taken into account, also, the powerful secondary effects of such funds in stirring up management to more and more ingenious and inventive efforts to save overhead, by working toward a more even and regular flow of production and distribution, the general social good to be accomplished by them is multiplied—surely by 2 and perhaps by 10. With the wonders before our eyes which engineers have brought to pass through their application of the laws of the physical sciences, it is impossible not to believe that a devotion of similar powers of invention to the saving of this great individual and social waste, spiritual as well as economic, must make remarkable progress.

The establishment of unemployment funds requires no new or complicated machinery or statistical records. A moderate amount to begin with may be set aside out of profits or surplus, like any other reserve. Some companies even to-day, although making an unsatisfactory operating showing for the year, have, nevertheless, reserve assets from which a start can be made. And a little may go a long way. In the Dennison company during the past 10 years the payments have not averaged one-half of 1 per cent of the total pay roll, and even over the worst 10 months of this year have not exceeded 2 per cent. Even small sums may relieve great needs, and such sums may be withdrawn from years of business activity at an individual cost hardly to be felt, and yet at a very real advantage to society as a whole.

Again, I must emphasize that while the actual funds withheld from use during prosperous times and put into circulation in slack times are of value in relieving distress, and of still more value in helping to keep our economic blood pressure from running too high and falling too low, they are of the greatest value of all in their psychological effects upon management. Unemployment funds set up action and reaction. Their direct action is to help in any present period of unemployment; their reaction is to sting employers into a healthy irritation and make them think of putting the screens on. Through them we get that positive spur which cold cash outlays exert, which is direct and actual and not to be argued away as easily as estimates of possible future indirect losses can be. They offer very practical arguments against undue expansions at the peak of the cycle, and for the toughest kind of thinking as to what can be done to keep things moving in the cycle's trough. And, incidentally, it is generally to be found that those who are thinking out practical measures, small though each one may be, are those who are least oppressively pessimistic.

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IV. EMPLOYMENT STABILITY AND INDUSTRIAL PARTNERSHIP

By Mr. Walter C. Teagle, *president of the Standard Oil Co. of New Jersey* (*December 26, 1930*)

Compiler's note.—The place of the employee as a partner in the operation of industry has come to receive wider and wider recognition during the past decade. The efforts which progressive managements may make in stabilizing employment and assuring continuity of partnership despite a business depression are illustrated by the experience of the Standard Oil Co. of New Jersey.

The Standard Oil Co. of New Jersey has had for years a definite policy in respect to labor. As a part of this policy we have long felt that from both an industrial and humanitarian standpoint we should make every effort to avoid layoffs of any of our people. This has involved the expenditure of large sums of money in improvements aimed primarily at stabilizing production and thus avoiding fluctuations in employment.

As the first step in the present crisis, we stipulated that managers should hire no new employees. We thought that by adjustments and transfers we might better provide work for those already in our service than to discharge in one quarter and hire in another. We ordered elimination of overtime, so as to spread the available work over the largest part of the personnel. Employees have been transferred from slack to busy departments and from one plant to another. To increase the amount of employment, it was suggested that managers begin work of dismantling, maintenance, and repair which had been postponed from busier times. As a general rule our employees have been working full time, but in two or three centers where there has not been work for the entire force employees cheerfully accepted part time in order that no member of the group should be thrown out of work.

There have been some men laid off for inefficiency and others who have been discharged for cause; but in the few cases where it has been necessary to lay off men permanently for lack of work, or for any other reason which was no fault of their own, such men have received a cash allowance, the amount depending both on their age and length of service, and this allowance has taken care of them during the time they were seeking work elsewhere.

The company has sought to alleviate any distress that might occur through the reduction of working hours or number employed. For instance, in one plant the company has made a contribution to the employees' association and this, together with money contributed by employees who are at work, will be used for relief work, including loans. Should it become evident that there is distress among other groups of employees, the company would undoubtedly make a similar offer to employees of any plants so affected.

What the company has done in this emergency has been in line with its long-established policy. We have been steadily working toward greater stability of employment. One of the many advantages of this is avoidance of the loss incurred in training new employees. Our low labor turnover of 26 per cent for the year 1929 reflects the success of our efforts to stabilize employment. This compares with 45 per cent, the average labor turnover for the same year in 75 representative companies with a million and a half employees. We look upon our personnel as the most important part of the business. They are not just so many check numbers to be taken on or laid off according to fluctuations in demand. On this ground we claim no credit for philanthropy. In practically all of our operations we require a staff largely constituted of experienced men possessing skill obtained over a long period of years. Without such an adequate and trained force continuously at hand the management of any operation would be seriously handicapped.

Partnership in this company came into existence as the result of the war-time recognition of the interdependence of capital, management, and labor. It was recognition not alone of the rights of each but of the responsibilities of each. Out of this recognition grew our industrial representation plan, stock acquisition plan, and many other features based on the partnership idea. It is, therefore, only fair to assume that in the discharge of its responsibilities management should exert its efforts to safeguard the jobs of regular employees in periods of trade depression. In a cooperative industry, such as this company has become, one set of partners can not benefit at the expense of the others in the partnership.

Each industry has its own characteristics, and I am not suggesting that policies which have proved successful with the Standard Oil Co. of New Jersey can or should be adopted by all large employers of labor. Forward looking executives, however, recognize the need for regular and more sustained schedules of operation, which will, to the maximum extent, free labor from the uncertainties caused by frequent shutdowns. Good management seeks to level the peaks of overtime and bring up the valleys of part time and by better organization and planning to spread employment more evenly over the 12 months.

V. UNEMPLOYMENT BENEFITS

By Mr. Morris Leeds, *president of the Leeds & Northrup Co.* (*January 2, 1931*)

Compiler's note.—The payment of unemployment benefits has not been confined to large employers but has received considerable impetus in medium-sized organizations which have analyzed scientifically their industrial relations problems. The Leeds & Northrup Co., of Philadelphia, has been a pioneer in the development of a conservative plan for such benefits to cover a group of 1,100 employees in an industry requiring trained workers.

We are manufacturers of electrical measuring instruments and apparatus for temperature measurement and control, and employ about 1,100 people. (Because of the variety and complexity of our product and the amount of engineering required, an unusually large proportion of our people are employed in office, sales, research, engineering, inspection and factory service divisions.) Instruments of precision can be successfully produced only by trained workers whose skill develops with years of experience, and there are sound business reasons for conserving a force of such people after they have been gotten together and trained because once scattered they can not be quickly and satisfactorily replaced. However, considerations other than these drove home to us the need for stabilized employment. Our product is widely distributed and demand has little seasonal variation, but to a large extent we supply equipment used in manufacture, and our business rises and falls in close relationship to the curve of total volume of manufacture in the country. We were seriously affected by the 1921 depression as we are to-day. Then we were caught with large inventories, and in other ways were little prepared for a slump, and found it necessary to make a considerable reduction of force. Talks with some of our people, who after years of employment were being dismissed, showed us how serious a crisis we were bringing into their lives. Those who had no savings were confronted with real physical want. Others had to give up partly purchased homes, discontinue the education of children, and the like. All of these commendable plans had been undertaken because of the expectation of continued employment. Thus the social harm that comes from the sudden interruption of employment became obvious to us. We saw why the founder of the world famous optical works, Carl Zeiss of Jena, said that industry had an obligation toward those whom it dismissed to see that they were provided with means of support during a reasonable time in which to relocate themselves, and that this obligation bore some relation to the length of their employment. We examined with renewed interest the provisions he made for discharging this obligation and resolved that we would make similar provision if a return of prosperity permitted. The opportunity came in 1923, and we then inaugurated our unemployment fund with a payment of $5,000, and arranged to contribute to the fund 2 per cent of each pay roll until the total fund should equal

twice the largest pay roll of any week in the previous 12 months. The total pay roll, including officers' salaries, is used as a base for these calculations, and is considerably larger than the pay roll of those entitled to benefit. Estimates made at that time indicated that these provisions would give a sufficient fund, when fully accumulated, to pay what we then thought suitable retiring allowances to as many as were likely to be laid off or have their working time reduced. We arranged for a trust company to hold the fund under a trust agreement for this particular purpose, so that it would not be at the hazard of the business.

Promptly after the establishment of the fund we informed the council of our cooperative association of this action. Let me explain here that the Leeds & Northrup Cooperative Association is an organization of all our employees, which through its elected council, deals with all matters of employee interest. Some of them—such as athletics, a sick benefit organization, and various activities of a cultural and social nature—it handles entirely on its own responsibility; others, such as cafeteria management, group life insurance and old age pension, good order of the plant, rules in regard to vacations with pay, on time bonus, etc., it handles in cooperation with management.

In explaining the unemployment fund to council we said: "We should like to have you assume the chief responsibility for the management and disbursement of this fund." We pointed out that benefits would be paid only up to the amount of the fund as accumulated, and undertook no obligation beyond that. The council willingly assumed the responsibilities asked of it and made rules for managing and disbursing the fund, the outstanding features of which are these:

Control of the fund is vested in a committee of 5, 3 appointed by council and 2 by the company.

Unemployment benefits are to be paid only to employees whose annual compensation is $2,600 or less.

Unemployment benefits are to be paid at the rate of 75 per cent of wages for those having dependents and 50 per cent for those without dependents.

Unemployment benefits are to be paid to those discharged, laid off for a time, or working less time than the company's 44-hour week. (Those who may be discharged for cause do not benefit from the fund, but have the right of appeal to a board composed entirely of employees appointed by council.)

Unemployment benefits are to run for a time which varies with the length of time the recipient has been with the company, and ranges from 3 weeks for those who have served 3 months up to 26 weeks for those who have served 5 years. In general, each year of service adds 5 weeks of compensation.

Those who work on a reduced schedule are compensated for the time lost in the same proportion as those who lose full time.

Benefits cease if the recipient gets another job, but may be reinstated if he loses or quits that job and has not yet received all payments due him.

We realized when we inaugurated these plans that unemployment compensation is at best a palliative, and is by no means so desirable as continuous work. For a selfish reason we had no desire to see the fund dispersed, because that would later put the company to the expense of making good the depletion. We accordingly adopted other measures to stabilize employment. When business is brisk we increase working hours, paying time and half time for time worked in excess of 44 hours per week; when it slackens we drop back to the standard week. We thus avoid taking on for peak business people

who would have to be laid off when it lessens, and in the overtime pay we share prosperity with our workers. In periods of slack business we manufacture for stock. For many of our products there is a sufficiently stable demand to justify stock accumulation. We have provided for it in our financial budget and intend to carry it as far as a detailed analysis of sales records will warrant. We carry on research to develop new apparatus and new uses for present products, and do this on a scale that is large in proportion to the size of our business. By continuous increments of 2 per cent of the pay roll the fund reached the required maximum in August, 1924, but since then a growing pay roll has frequently set new standards and called for further contributions. In January, 1930, by total payments of about $68,000 and interest accumulations, it amounted to some $82,000 and was at the required maximum. Up till then demands on it had been insignificant and the amounts paid out seemed to be sufficient to carry people over until they could relocate. Since then there have been much heavier demands; 108 people have received separation allowances, and 503 compensation on account of part time. Under the rules $24,000 has been paid, and should our present part-time rate of operation be continued for several months, some $24,300 more will be paid. Allowing for interest accumulations, these demands will take not much more than half the fund and leave some $40,000 available for still further reductions of force, which we now hope will not be necessary. Of the people eligible for benefits who were completely laid off, 36 per cent relocated themselves before their benefits ceased, which seems a pretty good record for these times; 55 per cent had not gotten new jobs when their benefits ran out; the remainder (about 9 per cent) did not apply for benefits.

Our council is making inquiry to find out whether those whose benefits have ceased are in need, and provision is being made either through loans from the fund or, in case loans seem inadvisable, through gifts from a special fund being contributed by those who have had the good fortune to remain on full pay. Indications are that up to this time needs have been pretty well met. There are only six applications for loans and these are for small amounts. If the depression continues for many months after benefit payments cease, there will doubtless be other cases. We intend to keep as closely in touch as we can with all who are either on part time or who have had their names entirely removed from the pay roll, and after the depression is over we will review our experience and then make such amendments in our rules as it may indicate.

VI. THE ELIMINATION OF SEASONAL UNEMPLOYMENT

Mr. William G. Stuber, *president of the Eastman Kodak Co.* (*January 6, 1931*)

Compiler's note.—An effective procedure in forecasting sales and scheduling production to eliminate seasonal peaks in operations and employment has been found to be a valuable aid in protecting both the company and its employees against the more serious consequences of industrial depressions. The Eastman Kodak Co., despite a highly varied line of products and marked seasonal fluctuations in demand, has been able to level out peaks in production and avoid layoffs. The technique thus developed, supplemented by other measures, has assisted the company in maintaining employment during the depression period.

For many years the Eastman Kodak Co. has been giving considerable attention to the problem of providing steady year-around employment to its workers in spite of seasonal sales. The Kodak Co., formed 50 years ago, now has in its organization 25,000 employees * * *. Over half of these employees are located in Rochester. Kodak Park Works is the largest plant of the company and employs 8,000 people. I shall describe in particular the methods used in this plant to provide steady employment.

The products of this plant are sensitized photographic goods of all kinds * * *. Not only are these products finished at Kodak Park but also the general preliminary manufacturing operations, such as the manufacture of film base and the production of basic photographic paper, are done there. On account of the diversity of the products the organization is a complex one, and the 8,000 employees are divided into 120 departments located in 110 buildings. The products are manufactured for sale in this country and for export shipment. The problem of stabilizing the force is therefore complicated by fluctuations in the demand both in this country and throughout the world. Many of the products, however, have been standardized and changes are made gradually.

The sales of some of the principal products are highly seasonal. Sales of roll film in November, for instance, are only 3 per cent of the total yearly sales and in July (the peak month) they are 15 per cent. The nature of the product is such that it can be kept for only a limited period and the conditions of storage must be carefully controlled.

Thirty years ago, when the company was expanding rapidly, the management realized that it would be good policy, from the point of view of both the company and the employees, to produce at as constant a rate as possible throughout the year instead of the rate at which the goods are sold. At that time steps were taken to accumulate stock during the slack season, although this meant a large capital investment in refrigerator plants for the store rooms in which the sensitized goods were kept and also an increase in the carrying charges on the inventory. The plan has been steadily improved since that time and, while at first it was planned for only a few products,

it is now used for practically all of the products of the plant. This production program involves four major steps which will be outlined briefly.

First, a forecast of sales is absolutely essential. This sales forecast is made by the statistical department in cooperation with the sales department. The estimates take into account the long-time trend of sales, current business conditions, and any special advertising and sales programs. The forecast covers a period of one year and every effort is exerted to make it as accurate as possible. The forecast for the year is modified from time to time taking into account changes in conditions.

The second step is to break down the annual forecast into monthly estimates of sales. In order to do this we have made a study of the seasonal sales, month by month, over a period of several years, in this way arriving at a normal seasonal variation. The sales for each month are expressed as a percentage of the sales for the entire year. When these percentages are applied against the estimated sales for the year, we obtain the estimate of sales for each month.

The third step is to establish the most economical production level throughout the year. We make allowance for vacation demands during July and August and production is reduced somewhat during these two months. The plan calls, therefore, for steady production during 10 months with reduced production during the summer months (the time of the sales peak). In case the sales have been higher than estimated, vacations are curtailed and in case they have not been up to the estimate vacations are increased.

Determination of the amount of stock to be carried at all times of the year is the fourth step. The minimum stock is carried at the end of the busy season. Estimates are made of the normal stock to be carried each month with this as the starting point. Stocks are built up during the slack season and reduced during the busy season. We know just how much stock to plan for at all times of the year and storage facilities are provided accordingly.

The four steps which have been outlined give a brief description of the production control on finished goods. It is adapted to fit each particular product and is used in planning the production of an individual product or to control the production of an entire department. It is frequently necessary to accumulate more than the normal stock of a few large-selling products when there are small orders coming through for special products which can not be stocked. In this way the large stocks will consist of only those products which may be called the "bread-and-butter" lines.

When the seasonal variation has been eliminated from the production of finished products it becomes a simple matter to schedule the supply of parts and semifinished products throughout the plants. We establish maximum and minimum stock limits within which the stock of semifinished products may fluctuate, maintaining all the time a constant rate of production.

What have been the results of this program? At the Kodak Park Works, during the eight years from 1922 through 1929, the number of employees laid off on account of lack of work averaged only 2 per cent of the force. During this period the highest lay-offs in any one year was less than 5 per cent of the force and the lowest 0.7 per cent.

The company has thus been able to give steady employment to workers and both the company and the employees have benefited. By having production uniform throughout the year it is not necessary to have as large an investment in plant and equipment. If we had a plant large enough to meet the peak sales, our investment would be much higher and much of the equipment would be idle during the slack sales season. This saving in carrying charges on the plant much more than offsets the additional carrying charge due to higher inventories during the slack season and the larger storage facilities. Without this uniform production it would also be necessary to have highly trained operators who would be busy during a few months of the year and for whom there would be no work during the remainder of the year. We can get increased output from the worker who is engaged all the year as compared with one who would work only part of the year. In normal times, therefore, this method has enabled the company to produce at a lower cost and the employees have had steady work.

This method is designed primarily to eliminate the effects of the seasonal variation in sales of our products. We have found, however, that we are also in a better position to meet business depressions. An organization has been built up to assemble the facts, to make forecasts of sales, and to control production and stocks. We can not expect to escape the effects of a world-wide depression but by means of this organization and through careful planning we can minimize the effects of these depressions upon employees.

During the first part of 1930 there were more employees at Kodak Park Works than in 1929. When the effects of the depression were felt in the summer of 1930 and it became necessary to curtail production, a number of departments were put on a 5-day week. In a few cases, a shorter week has been necessary. Lay offs have been kept at a minimum and during the year 1930 only 2½ per cent of the workers engaged in production have been laid off, only slightly more than during normal years. This compares with lay offs of 14 per cent in 1921.

In the fall of 1929 an extensive construction program was inaugurated to increase the facilities of some of the departments at Kodak Park. When the depression came and it was realized that our business would be affected during 1930, the management decided nevertheless not to interrupt this construction program. The management felt justified in continuing this program because it had confidence that the business would continue to grow after the depression was over and also because construction costs were low. As a result of this building program, employment was given to 600 workers, a large number of whom would otherwise have been idle. As these buildings have been completed it has been necessary to lay off some of these construction workers who were engaged temporarily. The total lay-offs at Kodak Park, however, including construction workers, have been only 5 per cent.

In our other Rochester plants, the products of which are affected more by business depressions, it has been necessary to curtail production to a greater extent. Every effort has been made to put workers in these plants on part time instead of laying them off. The departments affected were placed on a 5-day week and in some

cases a greater shortening of the working hours has been necessary. During the past year we have done as much repair and maintenance work as possible and have thus kept men employed who might otherwise have been laid off. We have continued our advertising at the normal rate and have also used special efforts to stimulate sales.

Due to the stabilization methods in use and the construction program, the average force employed in Rochester in 1930 was greater than in 1929, although many of the workers were on reduced hours during the latter part of the year. Some reduction in the force during the latter part of the year was also necessary. Although the employees at the end of 1930 were 8 per cent fewer than at the beginning of the year, the force was still as large as in the middle of 1929, just prior to the decline in business.

During the 50 years of the company's history it has passed through a number of business depressions. We feel that our company, along with many others, has made distinct progress since the last depression in methods of meeting these world-wide depressions and minimizing their effects upon the employees. We realize that there is yet much to be done and we will continue to give the problem thought and study.

VII. LABOR'S PART IN THE ALLEVIATION OF UNEMPLOYMENT

By Mr. William Green, *president of the American Federation of Labor* (*January 10, 1931*)

Compiler's note.—Although labor suffers more than any other group during business depressions and unemployment, labor through its representative organizations in the trade-union movement has from the first sought to assist those of its members in distress. The officers of labor organizations have cooperated with unemployment committees and in planning for more stable employment, while the rank and file have not only been willing to share jobs with fellow workmen otherwise laid off but have contributed from their earnings to those in distress. The American Federation of Labor, representing over 3,000,000 wage earners in this country, reflects the deep interest of organized labor in alleviating the distress due to unemployment.

While millions of working men and women have been the victims of the existing economic depression and, as a result, have suffered very greatly, nevertheless, through their trade-unions and their national organizations, they have rendered service to the Nation, to industry, and to the community in the development of relief measures designed to bring assistance to those in deep distress and to restore normal conditions.

Labor groups have cooperated with governmental agencies where the opportunity to do so has been presented and have rendered material assistance to those needing immediate help.

In response to the request of the President of the United States, organized labor, through a representative group of its officers, made its contribution to the establishment and maintenance of industrial peace in this crisis. In spite of most exasperating and trying circumstances it has kept the promise it made to the Chief Executive of the Nation and has faced and accepted its responsibilities in a most constructive way. The representatives of labor accepted membership upon unemployment committees in the different cities and States. They have given the benefit of their service, training, and influence to this organized movement created for the purpose of dealing directly with the serious problem of unemployment. These representatives of labor have responded in every instance where they have been invited to serve on unemployment committees created in the communities, cities, States, and the National Government.

Because labor is conscious of the seriousness of the situation, it has sought, through its representatives, to be represented on all unemployment boards and committees. The membership of organized labor, through their unions, have been instrumental in the development of public works programs and have offered very valuable suggestions and recommendations regarding plans and policies which should be pursued. In cooperation with their fellow workers they have sought to distribute the amount of work available in industrial establishments as equitably as possible among

the number regularly employed. They have sacrificed part of their employment in order to help others. They have used their trade-union facilities for the purpose of securing employment for those who are out of work and in this way they have rendered free employment service. They have sought and secured work for men and women and have directed them to places where they might find employment. In various ways and in numerous instances they have rendered a collective service of immeasurable value to the community and of great help to unemployed individuals. Invariably where the services which trade unions offered have been accepted they have proven to be effective and well chosen.

The trade unions have used their funds to relieve distress, to supply food, clothing, and the necessities of life to unfortunate unemployed persons. Many members of trade unions have made weekly contributions to funds created for the purpose of relieving unemployment among their members. Thousands of dollars have been raised in this way, all of which has been supplied to the unemployed. All this assistance rendered by labor, through its organized units, has been nation-wide wherever organized labor was permitted to function through its organized units.

This service has been freely given in an effort to meet the needs of this acute situation. While engaged in this great humane undertaking labor has been thinking about constructive means and methods which should be applied in order to prevent the destructive and devastating effects which come from these periodical unemployment experiences. Labor is firmly convinced that the problem of unemployment must be dealt with in a constructive, scientific, and practical way. It firmly believes that industry can be regulated so as to furnish reasonably steady employment to all working men and women.

VIII. GUARANTEED EMPLOYMENT

By Col. William Cooper Procter, *chairman of the board of the Procter & Gamble Co.* (*January 17, 1931*)

Compiler's note.—Both to the employer and the employed there is no better remedy for the evils of unemployment than assured operations, employment, and wages. Unemployment benefits are at best a partial indemnity for the loss of wages due to decreased employment and are made possible by reserves built up in more prosperous times. If employment is stabilized, the income from full operations is not taxed to provide these reserves. While many employers have sought to stabilize employment, until recently but few have gone the full way in guaranteeing steady work to regular employees. The Procter & Gamble Co., of Cincinnati, has been a pioneer in the movement which is now gaining increased momentum.

For several years following the war the operation of our plants was quite irregular, and men were repeatedly laid off for periods from one week to one month, with the accompanying anxiety and privation to them and their families. The company was concerned by the conditions of its employees and determined, if possible, to change those conditions that subjected them to the evils of irregular employment. The company therefore decided that, if possible, it would so regulate its business that regularity of employment could be assured, and in August, 1923, inaugurated the present system of guaranteed employment, having first proved for a period of 18 months' operation that such a plan was practical.

We started with the premise that in our industry, as in many others, the annual consumption of the products such as we produce was fairly uniform throughout the year, and the total annual consumption from year to year about the same, but gradually increasing through growth of population and improving standards of living. Our problem then was to accurately forecast our business for as long a period as we reasonably could and then so regulate our sales and deliveries that we could maintain a regular rate of production, taking care of any variation which might occur between sales and deliveries on one hand and production on the other, by adequate warehouse facilities.

We undertook to budget our yearly sales for practically the entire United States in units of about 250,000 population. Taking our business in each of these units and the conditions of competition we undertook to forecast just what our business should be in each unit and from these compiled the forecast for the entire country. Having arrived at this estimate for the year, we divided it into 48 equal amounts to cover the 48 weeks of production and started our weekly production schedule upon that basis.

The quota of each unit is checked quarterly to see that the territory is producing what it was expected to produce and special attention given where needed. Our general selling campaigns are so scheduled that sales are stimulated regularly throughout the year and not irregularly.

After 18 months' experience we were satisfied that the plan of regulating sales and production was practical and sound economically and we thereupon inaugurated our plan of guaranteed employment. The plan has now been in operation seven years, and during that time we have averaged a little over 49 weeks' operation, never more than 50 and never less than 48. From both a social and economic standpoint it has been the most productive move that this, a successful company, has ever made.

Briefly, the plan provides that any person who has been in the employ of the company for six months and is a profit sharer is guaranteed 48 weeks' work in any calendar year. The reason for these two conditions of service and profit sharing are: First, the six months' employment for the company to know whether he is the type of man it wishes to continue in its service; and second, the profit-sharing basis as an evidence that the man wishes to become a permanent employee of the company. The attractiveness of the profit-sharing plan is sufficiently evidenced by the fact that 95 per cent of those eligible for profit sharing are profit sharers. Any person who is in the employ of the company for more than six months is eligible for profit sharing.

The economic and other advantages to the company that come from guaranteed employment are difficult to define. The closer attention and scrutiny of all details of the business necessary to keep the whole machinery synchronizing in all parts would, of course, increase the efficiency of the organization and profits of the business, and has at least demonstrated that guaranteed employment is practicable.

How much credit can definitely be given to the greater efficiency if contented loyal permanent employees trained in their respective jobs is difficult to estimate, but our production management estimates it between 5 and 10 per cent. I can give perhaps one illustration that at least is indicative.

In the months of October, 1929 and 1930, we had the same number of working days. In October, 1930, we were operating two additional plants which had been completed and operated by us for less than six months and, consequently, would not be working as smoothly as they should be. In October, 1929, we had 8,634 men and in October, 1930, we had 8,632 men, and our production increased 11 per cent. Now, I know a portion of this is due to some labor-saving machinery, and a portion undoubtedly to management, but the production management will say that a large part was due to increased efficiency and loyalty of employees, and the remainder more easily obtained through the cooperation of those same right-thinking employees.

The Procter & Gamble Co. has been long active in its efforts to act justly with its employees. We have had profit-sharing, old-age pension, life insurance, and sick benefit on a most liberal scale for years, and yet I am sure that the guaranteed employment plan has brought more contentment, more peace and rest to the men, more loyalty to the company, more of the right feeling of proprietorship, than all else we have done. It has cemented and unified and made strong everything that has gone before.

Finally, so far as profits of the company are concerned, guaranteed employment was begun in August, 1924. For the year before the

plan went into effect, ending June 30, 1923, the company earned $8,629,447, and our earnings for the last full year operating under the plan, ending June 30, 1930, were $22,450,600.53, and for the last six months of 1930, the profits of the company were $12,194,732.83, the largest for any such period in the history of the company.

I do not claim that guaranteed employment produced these results but I do claim that the organization of the business under which guaranteed employment is practical and was operated was largely responsible for them, and that guaranteed employment, itself, was a factor in producing them. Certainly, the results would at least indicate that guaranteed employment was not a drag upon the profits.

Now you may ask why we guarantee employment. There are three reasons: First, for the comfort and economic assurance it gives our employees; second, the loyalty and interest such assurance secures from the employee to the company; and third, (and this I believe necessary) the obligation with its financial responsibility upon the management to make them hold their hands steady to the plow in face of possible difficulties.

The plan of organization and operation under which we have guaranteed employment has been in effect more than seven years. I doubt whether we even now, could long continue it effectively without the ever-present reminder of the obligation of the guarantee, and I am sure we would lose much of the value coming from the increased sense of loyalty and interest which the guarantee creates in our people.

IX. SPREADING WORK TO AVOID LAY-OFFS

By Mr. Myron C. Taylor, *chairman of the finance committee of the United States Steel Corporation (January 27, 1931)*

Compiler's note.—No type of emergency employment procedure has been more effective in preventing distress than the method of spreading work. Because of the adoption of this policy by thousands of companies of all sizes and in widely varied industries, a great number of workers have received reduced income rather than none at all. Despite a marked decline in operations, the United States Steel Corporation with over 200,000 employees dependent upon it for their livelihood has been able, by a vigorous policy of spreading work supplemented by a program of new construction, to provide employment to thousands who might otherwise be in distress.

In 1929, when serious declines occurred in the values of the securities of the country, it appeared to us that these declines were forerunners of eventual readjustment of commodity values, that as a possible consequence of such unsettlement, evidencing overproduction, the operations of our plants, like others similarly situated, might be interfered with, and that, unless provision against it were made, unemployment would inevitably follow.

Plans were promptly made and a really simple expedient employed—that if operations should be substantially lessened, the remaining work would be distributed equitably, as nearly as might be, among all the workers, giving to each a ratable portion of such work as was going; this program to be continued as well as could be done throughout such emergency.

For the period January 1 to July 1, 1930, the number employed, either on whole or on part-time work, was equivalent to an average of 221,123 employed for the entire period, as against an average for the year 1929 of 224,980.

For the month of December, the last period for which we have complete reports, there were employed on either full or part time in the various corporation activities 226,614 men. This in a period when operation of the plants was on the basis of only 38 per cent.

Attention is called to the fact that upward of 12,000 men have been given employment on construction work, in the advancement of which we have consistently carried out our construction program without change as outlined at President Hoover's conference in Washington on November 21, 1929.

The record of assistance rendered to employees and their families has been classified under three heads: Direct relief given by the corporation; credits extended by the corporation; relief extended by good fellowship clubs and other employees' welfare organizations.

For the period between October 1 and December 31, 1930, our reports show under these three headings that total expenditures for relief had amounted to $210,782.

Other ways in which relief is constantly being extended are through the regularly organized company hospitals, the company

medical staffs and visiting nurse organizations, and groups of employees organized at some of the plants.

We are confident that when the final chapter of this depression is written, the United States Steel Corporation's record in providing work and in extending relief to its employees will be one of its outstanding achievements.

Out of the experience of this year will flow much that is good by way of example and experience and remedy. Until we resume a normal basis of operation it should be the first duty of every individual concerned with the employment of others to see, during this dull period, that the work—whether it be 60 or 70 or 80 or 100 per cent of capacity—is divided equitably among those who are able and willing to work.

X. THE RAILROADS AND UNEMPLOYMENT

By Mr. Lawrence A. Downs, *president of the Illinois Central System*
(January 27, 1931)

Compiler's note.—The railroads are among the largest employers of labor and at the same time are acutely sensitive to the changing conditions of business. Railroad managements have been increasingly active in attempting to stabilize the employment of the various groups of workers engaged in operations and maintenance. The Illinois Central System not only exemplifies this movement but has had the opportunity in its own territory, which reaches from the Great Lakes to the Gulf, to test its policies in the face of varying economic conditions.

Because of the intimate relationship which their service bears to the operation of all other undertakings, the railroads are directly affected by the rise and fall of business activity. Industries require more transportation when they are busy than when they are operating on reduced schedules. A recession in business activity is therefore translated into a lessened demand for the services of railway workers and for the services of those who are engaged in producing things for the railroads, and as business revives, there is increased demand for the services of these workers.

The railroads for a long time have been making substantial progress in the human as well as the mechanical side of railroading. As a result of the extent to which the railroads have made use of improved machinery and tools of all kinds, it is no longer necessary for the majority of their workers to earn their bread by the sweat of their brows. Progress also has been made in the stabilization of working forces, despite the great difficulties encountered. Roadway maintenance work is necessarily seasonal. The operation of trains is directly affected by the rise and fall of business activity. Maintenance of equipment is affected by the use that must be made of the equipment. However, the railroads have resolutely set themselves to level out the peaks and valleys of employment, with the result that the average railway worker feels far more secure in his job to-day than he did a generation ago. This has been good business practice, as well as good human practice. The railroads are better operated by reason of the experienced organizations which they have and by reason of the freedom from anxiety on the part of their workers resulting from more regular employment.

When the President of the United States, seeing the situation which was developing, undertook more than a year ago to organize the business forces of the country to withstand the shock of a recession, the railroads were among the first to be called into conference. The ready response which they made to the appeal of the President and to the needs of the situation was characteristic. They pledged themselves to do their utmost to maintain employment and wages. In carrying out that program they spent more money for additions

and betterments to their properties in 1930 than had been spent in any other year since 1926, despite the fact that their net earnings for 1930 were lower than they had been in any other year since 1921. The effect of this increased program of capital expenditures in a year of reduced earnings has unquestionably been one of the major factors in checking the amount of unemployment. Not only did it give employment to railway workers, but the purchases made from other industries provided employment for at least as many more workers in those industries.

Various other methods of stabilizing employment have been worked out by the railroads during the last year. Railway workers, especially those engaged in train operations, have willingly cooperated in accepting shorter hours in order to make the railway pay rolls cover a larger number of people. Some railroads in the closing months of the year succeeded in carrying on their maintenance work with normal or only slightly reduced forces, with the permission of the Interstate Commerce Commission to charge their expenditures into the new year. Many railroads found it necessary to resort to strenuous measures in order to meet the requirements of the New York State law which provides that they must earn one and one-half times their fixed charges in order for their securities to be legal investments for insurance companies and other corporate owners operating under the New York laws. As soon as the turn of the year relieved them of meeting this requirement in their 1930 accounts, railway employment was substantially increased as a further contribution toward relief of unemployment.

The railroads have also been taking the longer view of the unemployment problem. It is their business to anticipate the future and to provide for future requirements. The railroads are therefore experienced in making their plans far ahead, and they have been among the leaders in anticipating future needs in dull times, knowing, as every thoughtful person knows, that every period of depression is followed by a period of prosperity.

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